#### COMMONWEALTH OF KENTUCKY

#### BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION AND NOTICE OF THE )
AQUA CORPORATION (KENTUCKY WATER )
SERVICE CO. INC.) FOR AN ADJUST- ) CASE NO. 89-340
MENT OF RATES IN MIDDLESBORO AND )
CLINTON, KENTUCKY )

AND

KENTUCKY WATER SERVICE COMPANY, )
INC., PURCHASED WATER SURCHARGE ) CASE NO. 90-067
AND RATE ADJUSTMENT )

#### ORDER

Aqua Corporation ("Aqua") filed an application on January 31, 1990 seeking a rate increase for its Middlesboro and Clinton operations. The proposed rates would produce an annual increase in revenue for Middlesboro and Clinton of \$116,752 and \$97,407, respectively. On April 30, 1990, Aqua amended its application to request a rate adjustment at Clinton to produce an annual increase in revenues of \$57,730.

On March 26, 1990, Aqua filed a petition with the Commission in Case No. 90-067 requesting an adjustment in its surcharge to the rates charged by its Middlesboro facility. The Commission issued an Order on May 16, 1990 consolidating Case Nos. 89-340 and 90-067 and authorized Aqua to charge its proposed surcharge.

The Utility and Rate Intervention Division of the Attorney General's Office ("AG") and several unincorporated associations comprised of Clinton residents ("Citizens of Clinton") intervened

in this matter. The parties prefiled their witnesses' testimony and conducted extensive discovery. Prior to the hearing in this matter, on July 30, 1990, Joint Stipulation and Recommendations ("Joint Stipulations"), attached hereto as Appendices A and B, for Middlesboro and Clinton were filed. The following is a brief synopsis of each Joint Stipulation:

Middlesboro Joint Stipulation: Middlesboro's rates would be adjusted in an amount sufficient to produce a revenue increase of \$82,000. The surcharge granted in Case No. 90-067 on an interim basis and consolidated into this proceeding be approved; provided that the AG is permitted to audit the surcharge account. A condition of the Middlesboro Joint Stipulation is that absent conditions listed in paragraph 7, page 4 of the Joint Stipulation, Aqua will not file for an increase in rates in Middlesboro to be effective prior to January 1, 1992.

Clinton Joint Stipulation: Clinton's rates would be adjusted in an amount sufficient to produce a revenue increase of \$43,171. A condition of the Clinton Joint Stipulation is that absent conditions listed in paragraph 6, page 3 of the Joint Stipulation, Aqua will not file for an increase in rates in Clinton to be effective prior to August 15, 1995.

Both Joint Stipulations contained only the amount of increases agreed upon and not the underlying calculations and adjustments. Thus, in its analysis, the Commission adjusted Middlesboro's and Clinton's operations to reflect the rate-making adjustments it would have made to ascertain if the agreed revenue increases are in a range reasonable to both Aqua and its customers.

In its application Aqua requested a rate of return of 10.5 percent for Middlesboro which is based on the cost of Middlesboro's proposed long-term debt. Staff has determined that Middlesboro's Joint Stipulation would result in a rate of return

of approximately 10.32 percent. As a means of comparison, Kentucky-American Water Company was granted an overall rate of return of 10.65 percent in its last general rate case. Based on its analysis, the Commission finds that the Middlesboro Joint Stipulation provides for a rate of return that is within a range that is reasonable to both Aqua and its Middlesboro customers. The proposed surcharge in the amount of .5930 per 1,000 gallons of water purchased by Middlesboro's customers is fair, just, and reasonable and should be approved. The Middlesboro Joint Stipulation will result in rates that are fair, just, and reasonable. The Middlesboro Joint Stipulation is in the public interest and should be accepted for rate-making purposes.

In its application, Aqua originally requested a rate of return of 7.5 percent for Clinton which reflected Clinton's cost Subsequently, Aqua increased Clinton's of long-term debt. requested rate of return to 10.5 percent based on the return Clinton's Joint Stipulation would requested for Middlesboro. result in a rate of return of approximately 7.5 percent, Clinton's original requested rate of return. Based on its analysis, the Commission finds that the Clinton Joint Stipulation provides for a rate of return that is within a range that is reasonable to both Agua and its Clinton customers. The Clinton Joint Stipulation result in rates that are fair, just, and reasonable. The will Clinton Joint Stipulation is in the public interest and should be accepted for rate-making purposes.

The Joint Stipulations strike a reasonable compromise between the positions advocated by Aqua and the intervenors and are supported by substantial evidence of record.

#### IT IS THEREFORE ORDERED that:

- 1. The terms and conditions set forth in the Middlesboro and Clinton Joint Stipulations be and they hereby are adopted and approved.
- 2. The Middlesboro Joint Stipulation and the Clinton Joint Stipulation, attached hereto as Appendices A and B respectively, be and they hereby are incorporated into this Order as if fully set forth herein.
- 3. The rates set forth in Appendix C to this Order be and they hereby are approved for service to Aqua's Middlesboro operations on and after the date of this Order.
- 4. The rates set forth in Appendix D to this Order be and they hereby are approved for service to Aqua's Clinton operations on and after the date of this Order.
- 5. The surcharge in the amount of \$.5930 per 1,000 gallons is approved for service rendered by Aqua on or after May 16, 1990. All other terms and conditions relating to this surcharge as set out in the Commission's Order of January 26, 1984 in Case No. 8370-1 shall remain in full force and effect.

Case No. 8370-1, Purchased Water Adjustment of Kentucky Water Service Company, Inc.

6. Aqua shall file revised tariffs setting forth the rates contained in Appendices C and D within 30 days from the date of this Order.

Done at Frankfort, Kentucky, this 10th day of October, 1990.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

M Much Line Executive Director

#### APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 89-340 DATED 10/10/90

## COMMONWEALTH OF KENTUCKY RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION JUL 3 0 1990

In the Matter of:

PUBLIC SERVICE COMMISSION

ADJUSTMENT OF RATES OF THE AQUA CORPORATION, INC., MIDDLESBORO

CASE NO. 89-340

#### JOINT STIPULATION AND RECOMMENDATION

807 KAR 5:001, Section 4(6) provides that parties to any proceeding or investigation may agree upon the facts involved in the proceeding, and such written stipulations shall be considered and used as evidence at hearing. 807 KAR 5:001, Section 4(4) further contemplates that the issues in any Commission proceeding may be settled by the mutual agreement of parties.

It is the intent and purpose of the parties to this proceeding, namely: Aqua Corporation, Inc., and the Attorney General for the Commonwealth of Kentucky (Attorney General) to express their agreement on a mutually satisfactory resolution of all of the issues in this case involving water rates and service to Middlesboro by Aqua Corporation, Inc.

It is the intent of the parties that this proposal be implemented according to its terms and with fulfillment of all stated conditions. It is further intended that anything less than complete implementation of this proposal and satisfaction of all conditions shall result in the withdrawal of this JOINT STIPULATION AND RECOMMENDATION and shall restore the parties to the status quo as it existed just prior to the submission of this JOINT

STIPULATION AND RECOMMENDATION for Commission approval.

It is understood by all parties that this JOINT STIPULATION AND RECOMMENDATION is not binding upon the Commission. It does not represent agreement on any specific theory supporting the appropriateness of any stipulated and recommended adjustments to Aqua's rates. All of the parties, which represent diverse interests and divergent viewpoints, agree that this JOINT STIPULATION AND RECOMMENDATION, viewed in its entirety, is a reasonable resolution of all issues in this proceeding.

The adoption of this JOINT STIPULATION AND RECOMMENDATION by the Commission will eliminate the need for hearing, eliminate the need for briefing, and eliminate the possibility of rehearing or appeal. It is the position of the parties that this JOINT STIPULATION AND RECOMMENDATION is supported by sufficient and adequate data and information, and is entitled to serious consideration by the Commission. Based upon the parties' discussions, negotiations, and analyses of information in the record of this case, the parties stipulate and recommend the following:

- 1. Aqua Corporation, Inc. shall be allowed a total annual revenue increase of approximately \$82,000.00 from its Middlesboro operations in PSC Case No. 89-340. This figure is a result of negotiations and is a product of several calculations not included within the language of this JOINT STIPULATION AND RECOMMENDATION, but understood and agreed to by the parties.
- 2. The rates in the application filed January 31, 1990 by Aqua shall be adjusted in the amounts sufficient to provide for the revenue in provision 1 above, and no more and no less. Any

adjustment in said rates beyond (above or below) the abovementioned adjustment shall be grounds for voiding this JOINT STIPULATION AND RECOMMENDATION and withdrawal by any party.

- 3. As indicated, the parties have derived a recommendation which will produce additional revenues in the amount of approximately \$82,000.00 for Aqua Corporation, Inc. at Middlesboro in PSC Case No. 89-340. The parties intend that this amount be the final result in dollars of the rate increase from this proceeding. In the event of a conflict, this intent shall control. As such, the rates currently in effect at Middlesboro shall be adjusted pursuant to this JOINT STIPULATION AND RECOMMENDATION as shown on the attached Exhibit I. These rates shall become effective for bills rendered on or after August 15, 1990.
- 4. Should there be any variance in the rates finally permitted by the Commission for Aqua Corporation, Inc., Middlesboro in PSC Case No. 89-340, other than those items specified and any amount above or below that mathematical amount necessary to achieve the results permitted, such variance shall permit withdrawal of any or all parties from this JOINT STIPULATION AND RECOMMENDATION.
- 5. The rates as adjusted pursuant to agreement are set forth on the sheet attached as Exhibit I.
- 6. The parties also agree that the surcharge adjustment filed by Aqua for Middlesboro in PSC Case No. 90-067, consolidated into this case, shall be approved and the rates now in effect on an interim basis be placed in effect according to the terms of the Commission's Order in Case No. 8370-1; provided, however, that the Attorney General will be permitted to audit the surcharge accounts

pertaining to Case No. 90-067.

- 7. As a condition of this JOINT STIPULATION AND RECOMMENDATION, Aqua will not file for an increase in rates at Middlesboro to be effective prior to January 1, 1992 in the absence of circumstances beyond its control, acts of nature, or force majeure, major capital improvements, or a decline in the company's revenue which affects its ability to operate, or some other unforeseen event which jeopardizes the operation of the company or service to its customers. This time restriction shall not apply to the surcharge mentioned in Item 6 hereof.
- 8. This JOINT STIPULATION AND RECOMMENDATION is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving the Attorney General, Aqua or any other utility.
- 9. If and only if the Commission adopts this JOINT STIPULATION AND RECOMMENDATION in its entirety, subject to all conditions stated, the parties agree that they shall not file an application for rehearing, nor an appeal to the Franklin Circuit Court from such Order.
- 10. If this JOINT STIPULATION AND RECOMMENDATION is not adopted in its entirety, or upon the failure of any condition, each party reserves the right to withdraw from it and require that hearings should go forward as scheduled upon all or any matters involved in the Application of Aqua, and in such event the terms of this agreement shall not be deemed binding upon the parties, nor shall any matters raised during these negotiations be binding on any

party.

- 11. If this JOINT STIPULATION AND RECOMMENDATION is adopted in its entirety each party waives its right to hearing in this matter and allows the Commission to decide the matter on the record filed in the case in this matter.
- 12. All of the parties hereto agree that the foregoing JOINT STIPULATION AND RECOMMENDATION is reasonable and in the best interest of all concerned, but only if adopted in its entirety and urge the Commission adopt this agreement in its entirety.
- 13. As indicated above, this JOINT STIPULATION AND RECOMMENDATION is subject to several conditions. Failure of any condition can be used by any party to withdraw from this JOINT STIPULATION AND RECOMMENDATION. The effect of such withdrawal shall be the same as if the party never entered into this JOINT STIPULATION AND RECOMMENDATION. Furthermore, failure of a condition cannot be used against a party in any other proceeding.
- 14. Each provision stated above is an express condition of this JOINT STIPULATION AND RECOMMENDATION. If there is any doubt or argument as to whether a provision is a condition, it should be resolved in favor of the provision being a condition.

All parties by the signatures affixed below hereby AGREE to the foregoing and respectfully submit it for Commission consideration and approval.

Assistant Attorney General

Utility & Rate Intervention Division Office of the Attorney General

Counsel for Aqua Corporation, Inc.

\$1,073,511

## THE AQUA CORPORATION - MIDDLESBORO

### BASED ON BILLS ANALYSIS FOR TWELVE MONTHS ENDED OCTOBER 31, 1989

#### STIPULATED RATES

Next	9,000 15,000 25,000 50,000	Gallons Gallons Gallons Gallons Gallons	per per per	month month month month	2.05 1.95 1.75	Per Per Per	1000 1000 1000 1000	Gallons Gallons Gallons
		Gallons						Gallons

Consumption B	Cumu lock Cons		Block Cons.	u		Rate		Annual Revenues		
Minimum Bills	4,	,212	7901	Minimum	Bills	\$5.60		\$	44,246	
0 1,00 1,100 10,00 10,100 25,00 25,100 50,00 50,100 100,00 Over 100,00	00 264, 00 289, 00 307, 00 326,	,105 204 ,803 21 ,836 11 ,016 1	5139.0 4753.6 5698.0 8033.2 8179.8 5044.0	x x x x x		5.60 2.25 2.05 1.95 1.75 1.60			308,778 460,696 52,681 35,165 31,815 88,070	
	28%	,			\$	11,977 20,465 11,047 5,530 5,452 (2,358) 1,158 158 1,604 (2,973)				

Total Computed Revenues

#### APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 89-340 DATED 10/10/90

## COMMONWEALTH OF KENTUCKY RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

JUL 3 0 1990

In the Matter of:

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PUBLIC SERVICE COMMISSION

ADJUSTMENT OF RATES OF THE AQUA CORPORATION, INC., CLINTON

CASE NO. 89-340

#### JOINT STIPULATION AND RECOMMENDATION

807 KAR 5:001, Section 4(6) provides that parties to any proceeding or investigation may agree upon the facts involved in the proceeding, and such written stipulations shall be considered and used as evidence at hearing. 807 KAR 5:001, Section 4(4) further contemplates that the issues in any Commission proceeding may be settled by the mutual agreement of parties.

It is the intent and purpose of the parties to this proceeding, namely: Aqua Corporation, Inc., James B. Brien, Jr., Counsel for Citizens of Clinton, and the Attorney General for the Commonwealth of Kentucky (Attorney General) to express their agreement on a mutually satisfactory resolution of all of the issues in this case involving water rates and service to Clinton by Aqua Corporation, Inc.

It is the intent of the parties that this proposal be implemented according to its terms and with fulfillment of all stated conditions. It is further intended that anything less than complete implementation of this proposal and satisfaction of all conditions shall result in the withdrawal of this JOINT STIPULATION AND RECOMMENDATION and shall restore the parties to the status quo

as it existed just prior to the submission of this JOINT STIPULATION AND RECOMMENDATION for Commission approval.

It is understood by all parties that this JOINT STIPULATION AND RECOMMENDATION is not binding upon the Commission. It does not represent agreement on any specific theory supporting the appropriateness of any stipulated and recommended adjustments to Aqua's rates. All of the parties, which represent diverse interests and divergent viewpoints, agree that this JOINT STIPULATION AND RECOMMENDATION, viewed in its entirety, is a reasonable resolution of all issues in this proceeding.

The adoption of this JOINT STIPULATION AND RECOMMENDATION by the Commission will eliminate the need for hearing, eliminate the need for briefing, and eliminate the possibility of rehearing or appeal. It is the position of the parties that this JOINT STIPULATION AND RECOMMENDATION is supported by sufficient and adequate data and information, and is entitled to serious consideration by the Commission. Based upon the parties' discussions, negotiations, and analyses of information in the record of this case, the parties stipulate and recommend the following:

- 1. Aqua Corporation, Inc. shall be allowed a total annual revenue increase of approximately \$43,171.00 from its Clinton operations. This figure is a result of negotiations and is a product of several calculations not included within the language of this JOINT STIPULATION AND RECOMMENDATION, but understood and agreed to by the parties.
- 2. The rates in the application filed January 31, 1990 by Aqua shall be adjusted in the amounts sufficient to provide for the

revenue in provision 1 above, and no more and no less. Any adjustment in said rates beyond (above or below) the above-mentioned adjustment shall be grounds for voiding this JOINT STIPULATION AND RECOMMENDATION and withdrawal by any party.

- 3. As indicated, the parties have derived a recommendation which will produce additional revenues in the amount of \$43,171.00 for Aqua Corporation, Inc. at Clinton. The parties intend that this amount be the final result in dollars of the rate increase from this proceeding. In the event of a conflict, this intent shall control. As such, the rates currently in effect at Clinton shall be adjusted pursuant to this JOINT STIPULATION AND RECOMMENDATION as shown on the attached Exhibit I. These rates shall become effective for bills rendered on or after August 15, 1990.
- 4. Should there be any variance in the rates finally permitted by the Commission for Aqua Corporation, Inc., Clinton, other than those items specified and any amount above or below that mathematical amount necessary to achieve the results permitted, such variance shall permit withdrawal of <u>any</u> or all parties from this JOINT STIPULATION AND RECOMMENDATION.
- 5. The rates as adjusted pursuant to agreement are set forth on the sheet attached as Exhibit I.
- 6. As a condition of this JOINT STIPULATION AND RECOMMENDATION, Aqua will not file for an increase in rates at Clinton to be effective prior to August 15, 1995, unless because of circumstances beyond its control, acts of nature, or force majeure, major capital improvements, or a decline in the company's revenue which affects

its ability to operate, or some other unforeseen event which jeopardizes the operation of the company or service to its customers.

- 7. This JOINT STIPULATION AND RECOMMENDATION is submitted for purposes of this case only and is not deemed binding upon the parties in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving the Attorney General, Aqua or any other utility.
- 8. If and only if the Commission adopts this JOINT STIPULATION AND RECOMMENDATION in its entirety, subject to all conditions stated, the parties agree that they shall not file an application for rehearing, nor an appeal to the Franklin Circuit Court from such Order.
- 9. If this JOINT STIPULATION AND RECOMMENDATION is not adopted in its entirety, or upon the failure of any condition, each party reserves the right to withdraw from it and require that hearings should go forward as scheduled upon all or any matters involved in the Application of Aqua, and in such event the terms of this agreement shall not be deemed binding upon the parties, nor shall any matters raised during these negotiations be binding on any party.
- 10. If this JOINT STIPULATION AND RECOMMENDATION is adopted in its entirety each party waives its right to hearing in this matter and allows the Commission to decide the matter on the record filed in the case in this matter.
- 11. All of the parties hereto agree that the foregoing JOINT STIPULATION AND RECOMMENDATION is reasonable and in the best

interest of all concerned, but only if adopted in its entirety and urge the Commission adopt this agreement in its entirety.

- 12. As indicated above, this JOINT STIPULATION AND RECOMMENDATION is subject to several conditions. Failure of any condition can be used by any party to withdraw from this JOINT STIPULATION AND RECOMMENDATION. The effect of such withdrawal shall be the same as if the party never entered into this JOINT STIPULATION AND RECOMMENDATION. Furthermore, failure of a condition cannot be used against a party in any other proceeding.
- Each provision stated above is an express condition of this JOINT STIPULATION AND RECOMMENDATION. If there is any doubt or argument as to whether a provision is a condition, it should be resolved in favor of the provision being a condition.

All parties by the signatures affixed below hereby AGREE to the foregoing and respectfully submit it for Commission consideration and approval.

Assistant Attorney General

Utility & Rate Intervention Division Office of the Attorney General

JAMES B. BRIEN, JR.

Neèlv & Brien

Counsel for Intervenors

JAMES M. HONAKER

Counsel for Aqua Corporation, Inc.

<u>7- 30-90</u>

7-30-90

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# THE AQUA CORPORATION - CLINTON BASED ON BILLS ANALYSIS FOR TWELVE MONTHS ENDED OCTOBER 31, 1989

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#### STIPULATED RATES

First	1,000	Gallons	per	month	\$7.50	Mini	mum	
Next	9,000	Gallons	per	month	4.25	Per	1000	Gallons
Next	15,000	Gallons	per	month	3.90	Per	1000	Gallons
Next	25,000	Gallons	per	month	3.55	Per	1000	Gallons
Next	50,000	Gallons	per	month	3.15	Per	1000	Gallons
Over	100,000	Gallons	per	month	2.75	Per	1000	Gallons

Consumption	on Block	Cumul Cons.	Block Cons.	White diving gary pains yang delike Minde	Rate	Annual Kevenues
Minimum B	ills	669	1356	Minimum Bills	\$7.50	\$ 10,170
0 1,100 10,100 25,100 50,100 Over	1,000 10,000 25,000 50,000 100,000	8,239 32,917 37,190 39,638 41,874 43,610	7570.0 24678.2 4273.1 2448.4 2235.8 1736.4	x x x x x	7.50 4.25 3.90 3.55 3.15 2.75	56,775 104,882 16,665 8,692 7,043 4,775
		Public Fire Private Fire Miscellaneo Analysis Er	e Protect: us ror	0.57%		1,950 848 178 1,198 

#### APPENDIX C

# APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 89-340 DATED 10/10/90

The following rates and charges are prescribed for the customers in the area served by Aqua Corporation - Middlesboro Operations. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Consumption Block	Rate
First 1,000 Gallons Per Month Next 9,000 Gallons Per Month Next 15,000 Gallons Per Month Next 25,000 Gallons Per Month Next 50,000 Gallons Per Month Over 100,000 Gallons Per Month	\$5.60 Minimum 2.25 Per 1,000 Gallons 2.05 Per 1,000 Gallons 1.95 Per 1,000 Gallons 1.75 Per 1,000 Gallons 1.60 Per 1,000 Gallons
Minimum Monthly Charge	Gallons Allowed
5/8 or 3/4 Inch Meter 1 or 1 & 1/4 Inch Meter 1 & 1/2 Inch Meter 2 Inch Meter 3 Inch Meter 4 Inch Meter 6 Inch Meter	\$ 5.60 1,000/Month 16.85 6,000/Month 32.00 13,000/Month 49.22 21,400/Month 137.55 68,400/Month 236.85 127,500/Month 483.25 281,500/Month

<sup>\*</sup> An additional surcharge of \$.5930 per 1,000 gallons shall be added to the monthly bills of all customers in Middlesboro, Kentucky, and environs.

#### APPENDIX D

# APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 89-340 DATED 10/10/90

The following rates and charges are prescribed for the customers in the area served by Aqua Corporation - Clinton Operations. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Consumption Block	Rate		
First 1,000 Gallons Per Month Next 9,000 Gallons Per Month Next 15,000 Gallons Per Month Next 25,000 Gallons Per Month Next 50,000 Gallons Per Month Over 100,000 Gallons Per Month	\$7.50 Minimum 4.25 Per 1,000 Gallons 3.90 Per 1,000 Gallons 3.55 Per 1,000 Gallons 3.15 Per 1,000 Gallons 2.75 Per 1,000 Gallons		
Minimum Monthly Charge	Gallons Allowed		
5/8 or 3/4 Inch Meter 1 or 1 & 1/4 Inch Meter 1 & 1/2 Inch Meter 2 Inch Meter 3 Inch Meter 4 Inch Meter 6 Inch Meter	\$ 7.50 1,000/Month 25.78 5,300/Month 50.43 11,200/Month 75.39 17,600/Month 217.89 57,900/Month 369.75 100,700/Month 764.38 250,500/Month		